REPORT TO THE COMMUNITY

Workers' Compensation Board of Nova Scotia

March 31, 2005

The WCB has been working hard to put programs in place that help workers and employers embrace safety. The disturbing frequency of workplace injuries is a problem that is simple to understand yet complex to solve. We know it's a combination of policies, awareness and enforcement that will drive this change.

Nancy MacCready-Williams took over as Chief Executive Officer of the WCB in June 2004 after a national search for the right leader. Ms. MacCready-Williams brings a unique blend of deep understanding of the organization, along with a passionate commitment for continuing the positive changes that have redefined the WCB.

Ms. MacCready-Williams is a 10-year veteran of the WCB, holding a series of increasingly senior positions including vice president of client services. Since becoming CEO, she restructured the executive team of the WCB and led the charge to create new programs that will lead to a safer Nova Scotia.

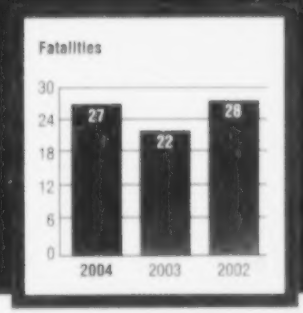
As a champion of change, she is meeting firsthand with employers, labour groups, community leaders and others from across the province who must be part of the solution to the epidemic of workplace injuries. Ms. MacCready-Williams is also a frequent speaker at business and community events across the province where she discusses the need to create and embrace a safety culture.

Nancy MacCready-Williams

For the past decade, the WCB has maintained that there can only be significant benefit increases or reduced assessment rates when the unfunded liability is eliminated. At one point during that period, financial gains allowed us to reduce the period needed to eliminate the unfunded liability to 2014. We were optimistic that the end was in sight.

However, increases to Supplementary Benefits, new benefits for firefighters with cancer and the Supreme Court of Canada decision on chronic pain have added more than $200 million to our benefits costs. The end result is that the WCB's financial situation remains precarious, the unfunded liability exceeds $400 million, and we currently are forecast to reach full funding in 2024.

There is an opportunity to reduce the unfunded liability, maintain rates and improve benefits, if we are able to reduce the number of people injured at work and get those who are injured back to work in a safe and timely manner.



"A safe and secure Nova Scotia"

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A Force for Change at the Helm

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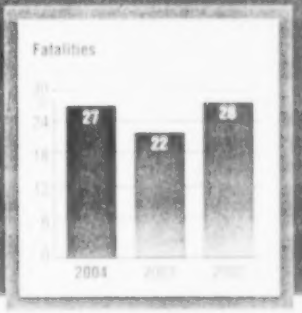


The Workers' Compensation Board of Nova Scotia has undergone a profound transformation in recent years, culminating in late 2003 with the WCB assuming responsibility for injury prevention and education across the province.

It's a big change for an organization that has been around for over 80 years, but workplace injury prevention is a logical focus for the WCB. We provide workplace injury insurance to over 18,000 businesses and 300,000 employees. We understand the challenges and what needs to be done to make safety a principle of operations for every worker and every employer.

It's an important job. Every year about 34,000 claims are registered with the WCB. That works out to more than 90 injuries a day across Nova Scotia. Of those, more than 9,000 workers are injured severely enough to lose time from work – 24 people a day. Every two weeks, someone dies on the job. The bottom line is alarmingly simple: all things being equal, Nova Scotia has one of the highest injury rates in Canada.

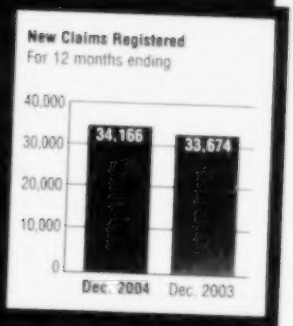
Relative to other provinces, injured workers in Nova Scotia stay on short-term benefits longer than in most other provinces and more Nova Scotians receive permanent impairment benefits. More must be done to reduce the terrible human and economic toll of workplace injuries and deaths. That's where the WCB and our partners at Nova Scotia Environment and Labour come in.

About this Report – The Workers' Compensation Board of Nova Scotia is committed to being open and accessible. This is the first in a regular series of reports to the community aimed at keeping Nova Scotians up to date with changes at the WCB. If you want to find out more about the WCB, call us at 1-800-870-3331, or visit our Web site at www.wcb.ns.ca.

Based on our experience, we believe that the overall length of time it is taking to assess all chronic pain clients is unacceptable. By April 2005, we will review our current processes and rework our plan to ensure that chronic pain claims are adjudicated faster. The plan will provide a more concrete estimate of the time it will take to complete this work, and it will allow the WCB to estimate the timeframe for when individual claims will be adjudicated.

We understand this has been a long, often frustrating process for some people. We are committed to resolving these cases as quickly as possible.

2005 Annual Meeting – The Annual Meeting of the Workplace Safety and Insurance System will take place May 9th from 10:00 am to 12:00 noon at the Westin Nova Scotian hotel in Halifax. Everyone interested in workers' compensation and workplace safety issues is invited to attend.



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Building a safer Nova Scotia

The New WCB

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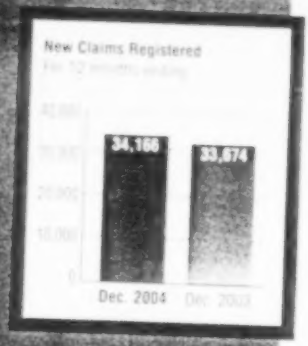

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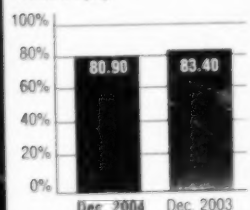
- Doubling the impact of serious injuries and fatalities when calculating an employer's Experience Rating.
- Charging employers with poor safety records more.

A small number of employers in Nova Scotia represent a disproportionate amount of the costs of the workers' compensation system. We are launching a new Priority Employers Program this summer to work with these employers to understand the root causes of their injury rates and help them establish best practices for safety in their workplaces.

It's important to understand that the WCB is not delivering safety consulting services already offered by dozens of companies in Nova Scotia. Rather, we are helping businesses with troubling safety records identify problems and advising them of the steps they can take to improve their safety performance.

Working with these employers to reduce injuries is in everyone's best interest. Not only will it mean fewer people being hurt on the job, it will reduce the overall cost of the workers' compensation system for all employers.

Timeliness of First Payment
Percent of Temporary Earnings Replacement Benefit payments issued within 15 days of the worker's injury.



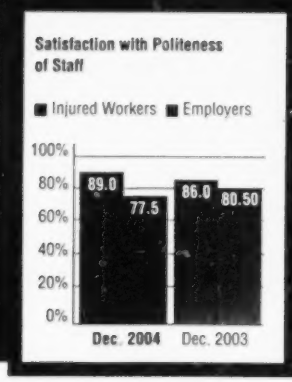
"Resolving chronic pain claims faster"

Chronic Pain Update

While the Supreme Court of Canada issued its decision on chronic pain in October 2003, the WCB was not able to begin working on these claims until new regulations were passed in July 2004 and policies were developed based on these regulations in September 2004. With those in place, we have been reviewing chronic pain claims for six months. To date, over 4,700 workers have contacted the WCB to be considered for chronic pain benefits.

The number of applicants is much higher than what the WCB anticipated, but the experience to date has not caused the WCB to alter its original costing projections.

The amount of benefits a worker may receive depends on many factors – the date at which the worker developed chronic pain, the impact chronic pain has had on their life, etc. It's not possible to speculate about the level of benefits an individual worker will receive. Some workers may receive no benefits, while others may receive significant benefits. Other workers may fall somewhere in between.



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Embracing Best Practices

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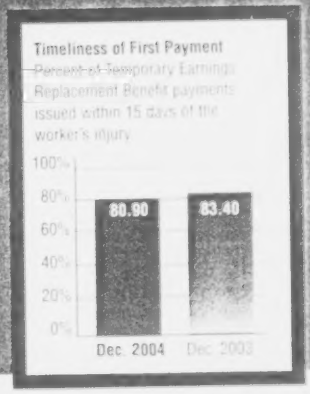

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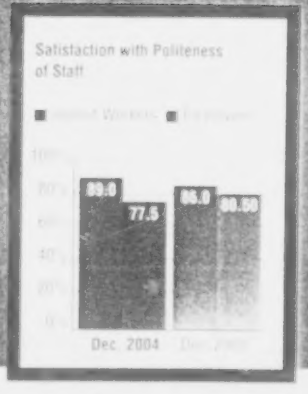

We can do this if Nova Scotians are prepared to embrace a significant cultural shift in their attitude toward workers' compensation and workplace safety. The fact is that too many Nova Scotians are injured on the job. The impact of these needless injuries and deaths on families and communities through the province can be avoided.

Changing attitudes about workplace safety and return to work is a challenge. In the coming weeks we will issue a thought-provoking discussion paper about the new direction of workers' compensation in Nova Scotia. Can we lower rates, increase benefits and reach full funding sooner than 2024? We believe we can, but all Nova Scotians must be prepared to join with us to make this cultural shift. You will find a copy of the "New Directions" discussion paper on our Web site (www.wcb.ns.ca) in early April.

Encouraging Safety Leadership

Rates are one of the most powerful levers the WCB can pull to encourage employers to make safety a principle of their operations. Working with our stakeholders, we are revamping the way we set rates so that companies with a commitment to safety see their rates go down more quickly. Companies with poor safety performance will be encouraged to take the necessary steps to improve their safety record or face higher rates more reflective of their cost to the system.

Earlier this year, we released a discussion paper summarizing the input from our stakeholders, along with the resulting proposed changes to the rate-setting model. We are considering the following changes, which will affect WCB rates in 2006:

- Applying weighting factors to Rate Setting and Experience Rating costs so employers will see their rates go down more quickly, if they embrace safety and costs go down.